



THE COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

**DEPARTMENT OF  
TELECOMMUNICATIONS & ENERGY**

ONE SOUTH STATION

**Boston, MA 02110**  
**(617) 305-3500**

**MITT ROMNEY**  
GOVERNOR

**KERRY HEALEY**  
LIEUTENANT GOVERNOR

**BETH LINDSTROM**  
DIRECTOR OF CONSUMER  
AFFAIRS  
AND BUSINESS REGULATION

**PAUL B. VASINGTON**  
CHAIRMAN

**JAMES CONNELLY, ESQ.**  
COMMISSIONER

**W. ROBERT KEATING**  
COMMISSIONER

**EUGENE J. SULLIVAN, JR.**  
COMMISSIONER

**DEIRDRE K. MANNING**  
COMMISSIONER

January 21, 2003

Cheryl M. Kimball  
Keegan, Werlin and Pabian, L.L.P.  
21 Custom House Street  
Boston, MA 02110

Re: Southern Union Company, D.T.E. 03-3

Dear Ms. Kimball:

Enclosed please find the Department of Telecommunications and Energy's First Set of Information Requests to Southern Union Company ("Southern Union" or the "Company") issued in the above-captioned matter. Please submit the Company's responses before 5 p.m., Thursday, January 23, 2003.

Thank you for your attention in this matter.

Sincerely,

Elizabeth A. Cellucci  
Hearing Officer

Enc.

cc: Mary Cottrell, Secretary  
Joseph W. Rogers, Office of the Attorney General

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

FIRST SET OF INFORMATION REQUESTS OF  
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY  
TO SOUTHERN UNION COMPANY  
D.T.E. 03-3

---

Pursuant to 220 C.M.R. § 1.06 (6)(c), the Department of Telecommunications and Energy ("Department") submits to Southern Union Company, or "Southern Union", or "the Company," the following Information Requests:

**INSTRUCTIONS**

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Company in this proceeding.

1. Each request should be answered in writing on a separate three-hole punched page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
2. Please do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if the Company or its witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term "provide complete and detailed documentation" means:  
  
Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn, and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work-papers.
5. The term "document" is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.

6. If the Company finds that any one of these requests is ambiguous, please notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please serve a copy of the responses on Mary Cottrell, Secretary of the Department; also submit one (1) copy of the response to: (1) Elizabeth Cellucci, Hearing Officer; (2) Kevin Brannelly, Rates and Revenues Division; (2) Paul Osborne, Rates and Revenues Division; (3) Joe Passaggio, Rates and Revenues Division (4) Jim Powell, Rates and Revenues Division; (5) Glen Shippee, Rates and Revenues Division and (6) Becky Hanson, Legal Division.
8. Responses are due by 5 p.m., Thursday, January 23, 2003.

- DTE 1-1 Refer to the Petition at 2, number 3. Provide any documents in the possession of Southern Union providing an outside investment opinion regarding the appropriateness of Southern Union's purchase price for Panhandle Eastern.
- DTE 1-2 Refer to the Petition at 2, number 3. Refer also to Kvapil testimony at 4. Please provide a detailed explanation as to the exact liability faced by Southern Union in assuming the existing \$1.17 billion debt of Panhandle Eastern on a "non-recourse" basis.
- DTE 1-3 Refer to the Petition at 5, number 11. How much of the outstanding existing preferred securities does the Company intend to redeem with the proceeds of the new common stock issue? If new preferred stock is issued, will existing preferred securities be retired?
- DTE 1-4 Refer to Kvapil testimony at 4. Please provide the following information regarding Southern Union's purchase of Panhandle Eastern including:
- a. Price to Book value paid by Southern Union
  - b. Price to Earnings paid
  - c. Price to Total Assets paid
  - d. Any comparative ratio information regarding recent pipeline sales of a similar nature
- DTE 1-5 Refer to Kvapil testimony at 8. Please provide the pro-forma 2004 operating projections referenced by the Company.
- DTE 1-6 Refer to Kvapil testimony at 14. Please provide a breakdown between common stock and preferred stock expected to be issued as part of the \$300 million equity issuance.
- DTE 1-7 Refer to Kvapil testimony at 2. Does Southern Union anticipate that it will pay cash and /or stock dividends on the proposed issuance of common and/or preferred stock?
- DTE 1-8 Refer to Kvapil testimony at 3. Please describe "the recent events in the energy industry that have created significant growth opportunities for energy companies", referenced therein.

- DTE 1-9 Refer to Kvapil testimony at 6-7. Please explain why the acquisition price for Panhandle Eastern is \$662.3 million in 2003, in light of CMS Gas Transmission Company's acquisition of the property in 1999 for a purchase price of \$1.9 billion with the assumption of \$300 million in debt.
- DTE 1-10 Refer to Kvapil testimony at 9. Does the \$100 million tax deferral result from re-investing the proceeds from the sale of the Texas property in similar property, i.e. Panhandle Eastern? If the response is affirmative, what is the corresponding reduction to the basis of the Panhandle Eastern property?
- DTE 1-11 Refer to Kvapil testimony at 10-11. Please assess the likelihood that Southern Union may be perceived by the investment community as a higher risk investment because of the dramatic increase in its size. Please assess the likelihood that if the Company is perceived as a higher risk investment, its cost of capital may increase.
- DTE 1-12 Refer Kvapil testimony at 13. Did Southern Union and CMS file with the Federal Trade Commission for approval pursuant to Section 201 of the Hart-Scott-Rodino Antitrust Improvements Act? If so, please provide a copy of the filing.
- DTE 1-13 Refer to Kvapil testimony at 14. To the extent the Company may issue a portion of the \$300 million equity financing in the form of preferred stock, please provide the estimated price at which the Company intends to issue the preferred stock.
- DTE1-14 Refer to Kvapil testimony at 14. Please provide a copy of the filing that Southern Union submitted to the Missouri Public Service Commission on January 13, 2003.
- DTE 1-15 Refer to Kvapil testimony at 14. Please explain the circumstances under which the Company may find it appropriate to issue a portion of the \$300 million equity financing in the form of preferred stock.
- DTE 1-16 Refer to Kvapil testimony at 15. Did Southern Union file an Omnibus Shelf Registration on Form S-3 with the Securities and Exchange Commission (SEC)? If so, please state the date that the Company filed and provide a copy of the filing. If not, please state when the Company expects to file with the SEC.
- DTE 1-17 Refer to Kvapil testimony at 16. Please provide the average monthly common stock price for Southern Union from January 2000 to date.
- DTE 1-18 Refer to Kvapil testimony at 18. Please explain why the Company's retained earnings is a negative amount.

- DTE 1-19      Refer to Kvapil testimony at 23. Assuming that short-term debt is typically not used to finance long-term investments, would the \$92.3 million of short-term debt ultimately have to be refinanced with long-term debt or common and/or preferred equity?
- DTE 1-20      Refer to Exhibit SU-4, Column D. Please document and provide the source of the valuation of \$2,203,400,000 shown in the row “Plant in service” under Column D. Additionally, does this value contain “goodwill” or an excess of the purchase price over the book value of the Panhandle assets?
- DTE 1-21      Refer to Exhibit SU-4. This exhibit indicates that the Company’s debt-to-equity ratio will increase because of financing the acquisition of Panhandle Eastern. Please explain how Southern Union intends to improve its debt-to-equity ratio in the future aside from the proposed \$300 million stock issuance.